

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 EURE-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 L-03 H-02 PA-01 PRS-01 /094 W

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P R 221612Z AUG 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC PRIORITY 2422

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS PRIORITY

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E.O. 11652: N/A

TAGS: EFIN, FR

SUBJECT: FOURCADE INVOKES ANTI-COMMUNISM AS ARGUMENT
FOR MONETARY REFORM, BUT TAKES SOMEWHAT SOFTER LINE ON
FLOATING.

REF: EC BRUSSELS 07298

BEGIN UNCLASSIFIED

1. IN INTERVIEW GRANTED WALL STREET JOURNAL -- DOW
JONES, APPEARING FOR GREATEST PART IN FRIDAY, AUGUST 22,
PARIS HERALD TRIBUNE, FINANCE MINISTER JEAN-PIERRE
FOURCADE MADE AN IMPORTANT PUBLIC PITCH -- QUITE
EVIDENTLY DIRECTED AT U.S. AUDIENCE -- FOR FRENCH
PROGRAM FOR MONETARY REFORM. UNDERLYING ARGUMENTS WERE
BASED, BOTH IMPLICITLY AND EXPLICITLY, ON OLD FRENCH
SAW THAT MONETARY INSTABILITY HAS BEEN CAUSE OF INTER-
NAL ECONOMIC PROBLEMS. NOVELTY, HOWEVER, WAS LINK OF
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THIS ARGUMENT TO MENACE OF COMMUNISM. TWO POINTS WERE

MADE:

A. IF COMMUNIST COUNTRIES CONTINUE 4-6 PERCENT ANNUAL GROWTH RATES, AND IMPROVEMENT OF LIVING STANDARDS, WHILE WESTERN GROWTH IS STAGNANT AND UNEMPLOYMENT IS HIGH, "IT WOULD BE EXPLOSIVE IN DOMESTIC POLITICS" IN EUROPE, PARTICULARLY AT A TIME OF COMMUNIST SUCCESS IN VIET NAM, "THE PROBLEM IN PORTUGAL AND THE DIFFICULTIES IN ITALY." (QUOTES ARE FOURCADE DIRECTLY).

B. UNCERTAINTY AS TO FRANC COSTS OF PETROLEUM MAKE BUDGETARY AND ECONOMIC PLANNING DIFFICULT, HENCE IMPEDING RECOVERY FROM RECESSION WHICH PLAYS INTO HANDS OF POWERFUL FRENCH AND ITALIAN COMMUNIST PARTIES. (THIS POINT WAS OMITTED IN HERALD TRIBUNE VERSION.)

2. ON MONETARY REFORM, FOURCADE'S PUBLIC POSITION SEEMS BASICALLY IN LINE WITH REFTEL. HE ACKNOWLEDGED IT WOULD TAKE TWO TO FOUR YEARS BEFORE RETURN TO "FIXED BUT ADJUSTABLE" RATES. IMMEDIATE PROBLEM, HE SAID, WAS TO REDUCE FLUCTUATIONS AMONG DOLLAR, YEN AND SNAKE WITHIN FLOATING SYSTEM. WAY SUGGESTED WAS TO KEEP DOLLAR FLOAT WITHIN 4.5 TO 5 PERCENT OF SNAKE. FINAL SYSTEM WOULD BE "MORE EASILY ADJUSTABLE" THAN BRETTON WOODS.

3. MINISTER RAISED SEVERAL POINTS OF OPPOSITION TO VIEWS ASCRIBED TO SECRETARY SIMON. ON SIMON'S POINT THAT SUPPORT OPERATIONS TEND TO SPREAD AND CAUSE INFLATION, FOURCADE SAID EUROPEANS HAVE FOUND WAY TO AVOID PROBLEM. "WHEN THERE IS AN OPEN COMMITMENT TO A CERTAIN RANGE OF RATES WITHOUT DETAILED MECHANISMS BEING DISCLOSED, CURRENCY SPECULATION DIES OUT." (TRIBUNE TEXT) ON SIMON'S POINT THAT FLOATING DOES NOT INTERFERE WITH WORLD TRADE, FOURCADE SAID IT WAS

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC PRIORITY 2423

INFO AMEMBASSY BONN

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AN IMPEDIMENT, PARTICULARLY FOR LDC'S
WHICH HAVE NO ASSURANCE OF WORTH OF THEIR RAW MATERIALS
EXPORTS. FLOATING MAKES IT "IMPOSSIBLE TO ORGANIZE"
MORE STABLE TRADE RELATIONSHIPS.

FOURCADE ADMITTED RESORT TO FLOATING "WAS A GOOD
THING" IN THAT IT PERMITTED LONG-OVERDUE BALANCE OF
PAYMENTS ADJUSTMENTS.

4. PROGRAM FOR 1975:

A. FINAL UNPUBLISHED PARAGRAPH READS AS FOLLOWS: HE
HAS "THE INTENTION OF MAKING PROGRESS" ON THE LONGER-
RUN CURRENCY, GOLD AND RELATED PROBLEMS AT THE IMF
ANNUAL MEETING IN WASHINGTON IN EARLY SEPTEMBER, THE
MINISTER SAID, BUT THAT FULL SOLUTIONS FACE "MANY,
MANY DIFFICULTIES."
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B. PENULTIMATE PARAGRAPH OF PUBLISHED TEXT READS AS
FOLLOWS: FRANCE WANTS TO TAKE UP THE CURRENCY RATE
MATTER AT THE PRESIDENTIAL LEVEL BECAUSE, "IT IS NO
MORE A TECHNICAL PROBLEM, IT IS NOW A POLITICAL
PROBLEM FOR THE WESTERN WORLD." HIS EUROPEAN COLLEAGUES
ARE "BEGINNING TO BELIEVE THAT PERHAPS I AM NOT COM-
pletely WRONG" MR. FOURCADE SAID WITH A SMILE,
EXPRESSING HOPE THAT THE SUMMIT WOULD TAKE PLACE BEFORE
YEAR-END. END UNCLASSIFIED.
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5. INFORMATION OFFICIAL IN FOURCADE'S CABINET COMMENTED TO US THAT MANNER IN WHICH INTERVIEW WAS GIVEN (THEY HAVE NO TEXT OF MINISTER'S REMARKS, FOR EXAMPLE) WAS SOMEWHAT UNUSUAL, AND THAT HE THOUGHT INTERVIEW HAD "PROFOUNDLY POLITICAL" PURPOSE. WE AGREE. EMBASSY WILL CABLE ANY FURTHER OFFICIAL COMMENT WE OBTAIN.
GAMMON

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